PROVINCE OF SASKATCHEWAN

MINISTRY OF
AGRICULTURE

07-08

ANNUAL REPORT

AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN

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This annual report is also available in electronic format from the Ministry's website at **www.agriculture.gov.sk.ca**.

Letter of Transmittal

Regina, Saskatchewan
June 30, 2008

To His Honour
The Honourable Dr. Gordon L. Barnhart,
Lieutenant Governor of the Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 2008.

Respectfully submitted,

Bob Bjornerud

Bob Bjornerud
Minister of Agriculture

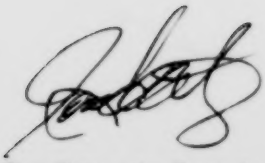
Year in Review

The Agricultural Credit Corporation of Saskatchewan (ACS) loan portfolio increased from $26.7 million to $40.1 million while the number of loans increased from 1,336 to 2,466. In addition, ACS holds assets of approximately $5 million that were acquired as the result of settlement, quit claim or foreclosure.

The Short-term Cattle Loan Program was enacted in January 2008 under *The Agricultural Credit Corporation of Saskatchewan Act* to provide assistance due to the severe economic hardship in the livestock sector. It was designed as an emergency response low-interest loan program. In this fiscal year there were 1,442 loans disbursed under this program totaling $19.3 million.

Guarantees under The BSE Livestock Loan Guarantee Program were reduced by $10.2 million to $2.6 million this past fiscal year. ACS paid out $233,000 to lenders as a result of claims on the guarantees and these loans are now being administered by ACS.

The Agri-Food Equity Fund (AFEF) continues to be wound down. The remaining investment portfolio of $12.7 million is invested in 13 companies.



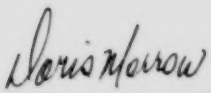
Tom Schwartz, Executive Manager
ACS Loan Portfolio Division
Agri-Food Equity Fund Division

Management's Responsibility for the Annual Report

The Agricultural Credit Corporation of Saskatchewan's (ACS) management is responsible for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Where estimates are used, they are based on management's best judgement. Financial and operating information provided elsewhere in the Annual Report is consistent with that contained in the financial statements.

ACS maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is accurate and reliable and that corporate assets are adequately accounted for and safeguarded. The Board of Directors oversees the systems of internal accounting and administrative controls. Management and the Corporation's external auditors meet periodically throughout the year to review their respective responsibilities and to discuss audit plans, the results of reviews of internal accounting controls, policies and procedures and the financial statements and notes thereto.

The Board of Directors has approved the financial statements and the other information in this Annual Report. In addition, the financial statements have been audited by Meyers Norris Penny LLP whose report follows.



Doris Morrow, Acting Manager
Food Industry Development Division
May 15, 2008

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan:

We have audited the consolidated balance sheet of Agricultural Credit Corporation of Saskatchewan as at March 31, 2008, and the consolidated statements of operations and comprehensive income, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Regina, Saskatchewan
May 15, 2008

Chartered Accountants

Consolidated Balance Sheet

As at March 31, 2008	(in thousands of dollars) 2008	2007
Assets		
Cash	**557**	146
Short-term investments	**7,988**	18,095
Accounts receivable	**298**	357
Inventory	**319**	344
Loans receivable *(Notes 4 and 5)*	**32,654**	20,512
Assets held for resale *(Note 6)*	**4,714**	4,952
Property, plant and equipment *(Note 7)*	**2,615**	2,792
Investments *(Note 8)*	**576**	660
	49,721	47,858
Liabilities		
Accounts payable and accrued liabilities	**590**	652
Provision for loss on Livestock Drought Loan Program *(Note 9)*	**-**	158
Provision for loss on BSE Livestock Loan Guarantee Program *(Note 9)*	**330**	1,985
Long-term debt *(Note 10)*	**7,749**	7,749
Deferred grants for equipment	**1,204**	1,282
	9,873	11,826
Equity		
Accumulated surplus	**39,848**	36,032
	49,721	47,858

Commitments (*Note 9*)

Approved on behalf of the board

Alanna Koch
Director

David Boehm
Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Operations and Comprehensive Income

For the year ended March 31, 2008	(in thousands of dollars) 2008	2007
Revenue		
Operating revenue *(Note 11)*	**6,141**	5,985
Expenses		
Cost of goods sold and overhead expenses	**3,136**	2,854
Amortization	**412**	284
Selling and administration expenses	**802**	684
Interest expense	**20**	26
	4,370	3,848
Surplus before the following	**1,771**	2,137
Other income (expense)		
Investment loss provision	**-**	(353)
Loan loss recovery	**204**	4,130
Counselling and Assistance For Farmers recoveries	**59**	146
Gain on sale of assets held for resale	**348**	224
Amortization of deferred grants for equipment	**278**	141
Assets held for resale net revenue	**346**	311
Grant from Ministry of Agriculture	**899**	509
Write down of carrying value of assets	**-**	(33)
Unrealized loss on investments	**(83)**	-
	2,051	5,075
Surplus for the year	**3,822**	7,212
Other Comprehensive Income	**-**	-
Comprehensive Income	**3,822**	7,212

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Surplus

For the year ended March 31, 2008	(in thousands of dollars) **2008**	2007
Accumulated surplus, beginning of year	**36,032**	28,820
Surplus for the year	**3,822**	7,212
Related party transaction adjustment *(Note 12)*	**(6)**	-
Accumulated surplus, end of year	**39,848**	36,032

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31, 2008	(in thousands of dollars) 2008	2007
Cash provided by (used for) the following activities		
Operating		
Surplus for the year	**3,822**	7,212
Items not affecting cash		
Loan loss recovery	**(204)**	(4,130)
Investment loss provision	**-**	353
Unrealized loss on investments	**83**	-
Amortization	**412**	284
Amortization of deferred grants for equipment	**(278)**	(141)
Net gain on disposal of property, plant and equipment	**(23)**	-
Write down of carrying value of assets	**-**	33
Changes in working capital other than cash (*Note 13*)	**638**	792
Loan payments received	**5,364**	5,720
Loan disbursements	**(19,502)**	(1,048)
	(9,688)	9,075
Investing		
Purchase of property, plant and equipment	**(253)**	(1,488)
Proceeds on disposition of property, plant and equipment	**36**	-
Net sale (purchases) of short-term investments	**10,107**	(8,980)
	9,890	(10,468)
Financing		
Grants received for equipment from Ministry of Agriculture	**209**	1,415
Increase in cash resources	**411**	22
Cash resources, beginning of year	**146**	124
Cash resources, end of year	**557**	146

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Status of Corporation

The Agricultural Credit Corporation of Saskatchewan (ACS) acts as an agent of the Government of Saskatchewan and has provided financial assistance to encourage and promote the development and expansion of the agricultural industry in the Province. On March 28, 1996, the Government of Saskatchewan announced that the ACS portfolio would be wound down. All ACS employees were transferred to the Ministry of Agriculture; however, ACS still is responsible for collection of the loan funds, monitoring loan collectibility and retirement of their debt.

On December 21, 2007, the Government of Saskatchewan announced a new loan program called Short-term Cattle Loan Program. This loan program's funds will be disbursed through ACS, and the program monitored and administered by ACS.

2. Significant Accounting Policies

a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements include the accounts of ACS and its wholly owned subsidiary. All significant intercompany transactions and balances have been eliminated. ACS and its subsidiary do not have coterminous year-ends and these consolidated financial statements reflect ACS's operations for the year ended March 31, 2008, and its subsidiary's operations for the year ended December 31, 2007.

b) Under Section 29 of *The Agricultural Credit Corporation of Saskatchewan Act*, the Minister of Agriculture may make grants to the Corporation out of monies appropriated by the Legislature. Grants may be provided for the payment of administration costs, for the payment of interest on funds borrowed, to defray losses on loans not repaid and for other purposes that may be determined by the Minister. Grant funds received for the fiscal year are for specific purposes. Any excess funds received for the fiscal year and not expended on each specific purpose are reported on the balance sheet as unexpended grants repayable.

Operating grants from the Ministry of Agriculture are recognized as revenue when receivable. Capital grants from the Ministry of Agriculture related to depreciable property are deferred and are recognized as revenue over the useful lives of the assets. A portion of the capital grant is recognized as revenue each year equivalent to the amount of amortization recognized on the assets acquired with the grant funds.

c) The Corporation records, as assets held for resale, the fair market value, at the date of acquisition, of assets acquired through settlement, quit claim or foreclosure. Fair market value is determined by the market value of the assets acquired. Assets held for sale are subsequently valued at the lower of its carrying amount or fair value less cost to sell. The income or loss from operations associated with these assets is recorded in the statement of operations. The provision for losses represents management's estimate of possible losses on assets held for resale.

d) Inventory is valued at the lower of cost and net realizable value. Cost is determined by the direct costing method.

e) Property, plant and equipment are stated at cost. Amortization is provided using the following methods and annual rates:

Buildings	Straight-line	40 years
Computer equipment	Declining balance	30 per cent
Equipment	Straight-line	20 years
Toll processing equipment	Declining balance	20 per cent

f) An allowance for impaired loans is maintained that reduces the carrying value of loans to their estimated realizable amount. A loan is classified as impaired when there is no longer reasonable assurance that the principal and interest will be collected in full. The Corporation records general allowances when evidence of impairment within groups of loans exists but is not sufficient to allow identification of individual impaired loans. ACS estimates impairment using a formula based on its loss experience for similar groups of loans in similar economic circumstances. Management performs a net present value calculation on a sample of loans within the loan portfolio and extrapolates the results of the analysis to the entire loan portfolio population. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to underlying security value. As management identifies individual impaired loans, it assigns a specific allowance to the loan and adjusts the general allowance accordingly.

g) Revenue earned on the outstanding loan balance is recognized as earned, based on interest rates specific to each individual loan program. Dividend and interest income on the investment portfolio is recognized as earned. Sales revenue is recognized as the product is delivered to the customer.

h) Financial Instruments

ACS classifies its financial instruments into one of the following categories: 1) held-for-trading, 2) held-to-maturity, 3) loans and receivables, 4) available-for-sale and 5) other liabilities.

All financial instruments are measured at fair value upon initial recognition. Financial assets and liabilities classified as held-for-trading are subsequently measured at fair value with changes in fair value recognized in net income. Financial assets classified as available-for-sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. Financial assets classified as held-to-maturity and loans receivables as well as financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method.

Cash, short-term investments and equity investments with a quoted market price are classified as held-for-trading and are measured at fair value with changes in fair value recognized in net income. Accounts receivable and loans receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities and are measured at amortized cost. These classifications had no significant impact on the ACS financial statements at the time of adoption.

ACS has classified its equity investments which do not have a quoted market price as available-for-sale. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Investments in equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses arising from changes in fair value, except for impairment losses and foreign exchange translation adjustments, are recognized in other comprehensive income, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in accumulated other comprehensive income is transferred to net income.

These standards also require ACS to recognize and measure derivative instruments embedded in host contracts. ACS does not have any embedded derivatives in host contracts.

Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments in which case the transaction costs are expensed as incurred. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame are recognized on a trade-date basis.

i) Short term investments are term deposits that are readily convertible to cash and with maturities of less than one year. The interest rate for short-term investments as at March 31, 2008, was 1.9 per cent (2007 rates ranged from 4.16 per cent to 4.32 per cent).

j) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the year. The Corporation reviews its overall allowance for loan loss and this process is subject to significant management judgement. Also, in determining estimates of net realizable value for its investments, the Corporation relies on assumptions regarding financial performance as well as general business economic conditions that prevail and are expected to prevail. Assumptions underlying the investment valuations are limited by the availability of reliable data and the uncertainty of future events. In addition, there is management judgement involved in estimating the fair value of assets held for resale. There is also judgement with respect to management's estimate of losses on loans as a result of the guarantee programs. Due to uncertainties inherent in these estimation processes, it is possible that changes in the future conditions may cause recorded amounts to change by a material amount in the near term.

k) Recent Accounting Pronouncements

Effective April 1, 2008, ACS will be required to adopt Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862 - Financial Instruments - Disclosures, and 3863 - Financial Instruments - Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which ACS is exposed, and how the risks are managed by ACS. Section 3863 provides standards for the presentation of financial instruments and non-financial instruments derivatives. ACS does not expect the adoption of these new standards to have a material impact on its financial statements; however, these standards will have an impact on the financial statement disclosures.

Effective April 1, 2008, ACS will be required to adopt CICA Handbook Section 1535 - Capital Disclosures which establish standards for disclosing information about ACS's capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate ACS's objectives, policies and processes for managing capital. ACS does not expect to be materially affected by the new recommendations.

Effective April 1, 2008, the Corporation will be required to adopt CICA Handbook Section 3031 - Inventories, which replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. The new Section prescribes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. The Corporation does not expect the adoption of this new standard to have a material impact on its financial statements.

3. Changes in Accounting Policies

Effective April 1, 2007, ACS adopted the following new accounting standards relating to financial instruments, as issued by the Canadian Institute of Chartered Accountants: Section 1530 - Comprehensive Income, Section 3251 - Equity, Section 3855 - Financial Instruments - Recognition and Measurement and Section 3861 - Financial Instruments - Disclosure and Presentation. The following are the impacts of implementing these new standards on a prospective basis. The comparative figures have not been restated.

Comprehensive income

Section 1530 - Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income. ACS does not have any items that required separate recognition outside of net income, and, as a result, the adoption of this section did not have any financial impact on ACS's financial statements.

Financial instruments

Section 3855 - Financial Instruments - Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 - Financial Instruments - Disclosure and Presentation discusses the presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party. The adoption of these standards did not have a material impact on ACS's financial statements.

4. Loan Programs

a) Capital Loan Program

Loans are repayable over terms not exceeding 25 years and bear interest at rates between five per cent and 13.5 per cent. Security on the loans varies and may include mortgages on real property, security agreements and guarantees.

b) Investment Loan Program

Investment loans bear interest at rates between 6.5 per cent and 10.5 per cent and are repayable over terms not exceeding 25 years. Security on the loans varies and may include mortgages on real property, security agreements and guarantees.

c) Production Loan Program

Production loans were disbursed in 1986 to provide farmers, bee colony owners, potato producers and greenhouse operators with loans bearing interest at six per cent, repayable in equal principal installments over a term of three years. Amounts in arrears are at prime plus two per cent. Subsequently, some loans were rewritten with longer terms to assist borrowers to repay their loans. These amended loans bear interest at an average rate of seven per cent.

The loans are secured by promissory notes, and where applicable, by guarantees and general security agreements.

d) Livestock Cash Advance Program

Effective August 1, 1993, customers with livestock cash advances began repaying the loans, bearing interest at the bank prime rate plus two per cent over a maximum five-year period. Subsequently, some loans were rewritten with longer terms to assist borrowers to repay their loans. These amended loans bear interest at an average rate of nine per cent.

The loans are secured by promissory notes, and where applicable, by guarantees.

e) Counselling and Assistance For Farmers Program

Effective August 1, 1992, ACS assumed responsibility for loans and guarantees which were outstanding under the Counselling and Assistance For Farmers Program. New guarantees were not issued under this program by the Corporation. The existing guarantees had been renewed until March 31, 1995 at which time the program was terminated.

The majority of the loans under this program are in default, had judgements obtained on them and bear interest at five per cent. The loans are secured by way of an assignment of security from the original lender.

f) BSE Livestock Loan Guarantee Program

During the 2008 fiscal year, the Corporation paid out $213,993 to honour guarantees on loans granted by financial institutions under the BSE Livestock Loan Guarantee Program. ACS acquires the loan once the guarantee is paid. The loans bear interest at prime plus two per cent.

The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements.

g) Livestock Drought Loan Program

During the 2008 fiscal year, the Corporation paid out $19,244 to honour guarantees on loans granted by financial institutions under the Livestock Drought Loan Program (LDLP).

ACS acquires the loan once the guarantee is paid. The loans bear interest at prime plus two per cent.

The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements.

h) Short-term Cattle Loan Program

In January 2008, the Corporation implemented the Short-term Cattle Loan Program which provides livestock producers with low interest loans based on their livestock inventory at August 1, 2007. The interest rate is the government 90 day borrowing rate which was 3.8 per cent at March 31, 2008. The interest rate on the loans changes quarterly when the 90 day borrowing rate is set. Loans are to be re-paid over the next four years.

The loans are secured by general security agreements.

i) Agri-Food Equity Fund Division (AFEF) debentures

On February 28, 2003, the AFEF debentures were transferred to ACS at their net book value. AFEF debentures include interest-bearing instruments at rates ranging from six per cent to 15 per cent with maturities between 2009 and 2011. The profitability of the investee determines the repayment of principal and interest on the participating debenture.

5. Loans Receivable

	(in thousands of dollars) 2008			(in thousands of dollars) 2007		
	Gross	**Allowance**	**Net**	Gross	Allowance	Net
Capital Loans	**17,658**	**3,442**	**14,216**	23,110	4,646	18,464
Investment Loans	**252**	**170**	**82**	265	133	132
Short-term Cattle Loans	**19,322**	**2,898**	**16,424**	-	-	-
BSE Loans	**1,865**	**983**	**882**	2,079	1,247	832
LDLP Loans	**222**	**115**	**107**	295	177	118
Production Loans	**270**	**113**	**157**	346	170	176
Livestock Cash Advances	**195**	**133**	**62**	245	182	63
Spring Seeding Loans	-	-	-	3	1	2
Counselling and Assistance For Farmers Loans	**319**	**319**	-	365	365	-
AFEF debentures	**5,326**	**4,602**	**724**	5,340	4,615	725
	45,429	**12,775**	**32,654**	32,048	11,536	20,512

During the year, a number of the Corporation's customers refinanced their Production Loans, Livestock Cash Advances, Spring Seeding Loans and Counselling and Assistance For Farmers Loans under the Capital Loan Program.

6. Assets Held For Resale

	(in thousands of dollars) 2008	2007
Cost - Land	**4,714**	5,152
Provision for losses	**-**	(200)
	4,714	4,952

Assets acquired are a result of settlement, quit claim or foreclosure and the Corporation actively pursues the sale of these assets in a timely manner.

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	(in thousands of dollars) 2008	2007
Land	**16**	**-**	**16**	16
Building	**881**	**197**	**684**	718
Computer equipment	**191**	**125**	**66**	44
Equipment	**1,060**	**428**	**632**	728
Toll processing equipment	**1,638**	**421**	**1,217**	1,286
	3,786	**1,171**	**2,615**	2,792

Included in equipment are amounts of $345,336 (2007 - $376,814) under capital leases and accumulated amortization of $162,836 (2007 - $167,689).

8. Investments

	(in thousands of dollars) 2008	2007
Equity Investments – available for sale	**7,275**	7,748
Equity Investments – held for trading	**76**	-
	7,351	7,748
Less: provision for investment loss	**6,775**	7,088
	576	660

9. Commitments

Guaranteed loans under *The Agricultural Credit Corporation of Saskatchewan Act*

a) Guaranteed Vendor Mortgage

Guarantees may be provided by the Corporation to vendors under the Guaranteed Vendor Mortgage program for the sale of farmland and existing improvements. The guarantees are for 100 per cent of the principal amount outstanding. The contingent liability of the Corporation for guaranteed vendor mortgages outstanding at March 31, 2008, is $26,967 (2007 - $35,832).

b) Livestock Drought Loan Program (LDLP)

The Livestock Drought Loan Program was enacted under *The Agricultural Credit Corporation of Saskatchewan Act* in response to the severe drought experienced through parts of the province in 2002. The loans were made through financial institutions and are 100 per cent guaranteed by ACS. The contingent liability of the Corporation under this program at March 31, 2008 is $nil (2007 - $752,241). The Corporation has a recorded provision of $nil (2007- $158,000) to fund management's estimate of losses on loans as a result of the anticipated guarantee payments under the program. The deadline for guarantee claims has expired and no further contingencies exist.

c) BSE Livestock Loan Guarantee Program (BSE)

In September 2003, the BSE Livestock Loan Guarantee Program was enacted under *The Agricultural Credit Corporation of Saskatchewan Act* in response to the May 2003 border closure. The program was designed to provide support to livestock producers affected by export market restrictions and to assist with cash flow. The loans were made through financial institutions and are 100 per cent guaranteed by ACS. The contingent liability of the Corporation under this program at March 31, 2008 is $2,639,764 (2007 - $9,453,601). The Corporation has a recorded provision of $329,971 (2007 - $1,985,000) to fund management's estimate of losses on loans as a result of the anticipated guarantee payments under the program. All loans are to be repaid in full by February 28, 2009.

d) Short-term Cattle Loan Program

In January 2008, the Corporation implemented the Short-term Cattle Loan Program which provides livestock producers with low interest loans. The loan application deadline for this program was March 31, 2008. As of March 31, 2008, approximately $19.3 million of loans were disbursed and approximately $14.3 million of loan applications were received, but funds were not disbursed prior to March 31.

10. Borrowing

Sections 17 and 19 of *The Agricultural Credit Corporation of Saskatchewan Act* allows the Corporation to borrow, with the approval of the Lieutenant Governor in Council, monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to $2,000,000,000. The long-term debt is repayable to the Saskatchewan Ministry of Agriculture. The loan is non-interest bearing with no repayment terms.

11. Revenue

	(in thousands of dollars)	
	2008	2007
Interest revenue	**2,024**	2,261
Sales revenue	**3,120**	2,931
Interest recovery on impaired loans	**-**	118
Investments	**33**	99
Other interest	**964**	576
	6,141	5,985

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown-controlled ministries, agencies and corporations with which the Corporation is related. Account balances from these transactions are included in the balance sheet and are settled on normal trade terms. Other transactions and amounts due to and from related parties and the terms of settlement are described in the financial statements and notes thereto.

	2008	2007
Accounts receivable	**-**	40,000
Accounts payable and accrued liabilities	**57,267**	9,540
Deferred grants received for equipment	**209,026**	1,414,861
Operating grant received	**899,127**	509,119
Cost of goods sold	**269,796**	207,715
Expenses	**32,769**	8,711

Certain administration expenses for the Corporation are paid for by the Ministry of Agriculture. These costs amounted to approximately $1,592,867 (2007 - $1,634,223).

During the year, the subsidiary had a transaction in which a vehicle was sold to a member of management. This transaction was recorded at carrying value, with the difference between the carrying value and the exchange amount recorded as a debit to accumulated surplus of $6,500.

13. Change in Working Capital Other Than Cash

	(in thousands of dollars) 2008	2007
Decrease in accrued interest on loans receivable	**187**	297
Decrease in accounts receivable	**59**	173
Decrease (increase) in inventory	**25**	(11)
Decrease in assets held for resale	**438**	374
Decrease in accounts payable and accrued liabilities	**(62)**	(67)
(Decrease) increase in other operating activities	**(9)**	26
	638	792

14. Financial Instruments

Fair Values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Corporation's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques, which are affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Corporation has determined the fair value of its financial instruments as follows:

a) Cash, short-term investments, accounts receivable, accounts payable and accrued liabilities:

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

b) Loans receivable:

Fair value was not established for the loan portfolio due to there being no established market for the developmental loans made by the Corporation. With no available market information and the diverse nature of the loan portfolio, it was not deemed practicable to determine the fair value with sufficient reliability.

c) Long-term debt:

The long-term debt is non-interest bearing and has no fixed repayment terms, and it is not practicable to determine its fair value.

d) AFEF investments:

Fair value was not established for the AFEF investments classified as available for sale, due to there being no established market for the investments made by the Corporation.

Credit Risk Management

Credit risk arises from potential for borrowers to default on their contractual loan obligations. Credit exposure on the Corporation's loan portfolio is managed through appropriate due diligence and account administration. To minimize the credit risk associated with the loans, the Corporation requires security agreements and personal guarantees on all loans.

Credit risk also arises from the potential that an investment will fail to perform its obligations. The Corporation had a mandate to promote, encourage and contribute to the development of agriculture in Saskatchewan, which involves start-up operations, new company products and expansions. The Corporation conducts a thorough due diligence process prior to committing to the investments and actively monitors the financial health of its investments on an ongoing basis.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

ACS is exposed to interest rate risk with respect to its short-term investments which are subject to interest rates as determined by Saskatchewan Finance; loan receivables bear interest based on fixed rates for each applicable loan program, with the exception of the BSE Livestock Loans and Livestock Drought Loans which bear interest based on prime plus two per cent. ACS is not exposed to significant interest rate risk on its long-term debt as the debt is non-interest bearing.

15. Comparative Figures

Prior year figures have been reclassified to conform to current year presentation.